NEW REPORT FROM THE CCNR ON PRICE FORMATION AND FUTURE TRENDS
Ref: CC/CP (24)03

In the context of its market observation activities, the CCNR has published a report on price formation in inland waterway transport (IWT). The publication focuses on the main influencing factors regarding price formation and offers a number of recommendations for policy makers. It follows the workshop organised by the CCNR on 8th November 2023, in partnership with the European Commission. A wide range of participants, both in Strasbourg and online, took part in the exchanges: inland vessel operators, cargo owners, multimodal operators, policy makers, freight forwarders, brokers, cooperatives, banks, institutes publishing information about freight rates, ports, consultants.

The in-depth report presents the main influencing factors with regard to price formation in IWT, such as supply and demand, market structure, type of cargo (dry, liquid, container), water levels or operating costs (fuel/energy or staff costs). Some external factors (economic and geopolitical conditions, for example) may also impact freight rates. The report examines which and how price formation models can lead to volatile prices, or on the contrary to more stable prices. In particular, longer-term price stability could facilitate investments in innovative vessels.

The report is completed by detailed figures and concrete examples. These illustrate how the main influencing factors have affected or currently affect price formation. This analysis is valuable for the study of price formation in IWT. It also explores trends which could have an impact on price formation in the future. A higher frequency of low water periods is one of those trends, because it increases the costs for cargo owners when using IWT. Another trend, automation, could be an answer to staff shortage and thereby reduce prices in inland navigation. Last but not least, energy transition is another influencing factor as it is expected to impact transport demand in the long run, in particular transport of oil products.

Although there can be a link between freight rates and modal shift, it seems that the way price is formed in inland navigation is not necessarily a decisive factor to foster modal shift. Thus, while price remains an important aspect for cargo owners, other factors can also come into play such as environmental benefits or reliability of service. Moreover, the choice of a transport mode depends on the transportation route and the types of goods being transported. Finally, other transport modes are also facing similar challenges such as staff shortages or increase in fuel prices.

In this context, policy makers have an important role to play. While a direct intervention on price formation should be limited to the minimum in free markets, the policies put in place could focus on the factors influencing freight rates in IWT. Reducing the impact of low water, internalising external costs (for example: polluter-pays principle), implementing fuel taxation, creating funding programmes for the energy transition, are some examples of policy intervention impacting IWT prices.

The full report in English can be downloaded in PDF format or viewed directly online at: https://inland-navigation-market.org/chapitre/3-conclusions/?lang=en

We wish you an informative read!